

**State Employee Benefits Committee
Friday, February 22, 2013 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware**

The State Employee Benefits Committee met on February 22, 2013, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Vicki Ford, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Dawn Davis, OMB, SBO
Rebecca Reichardt, OMB, BDPA
Howard Atkins, Segal
Andrew Kerber, DOJ
Carolyn Berger, Justice, AOC
Chip Flowers, State Treasurer
Erika Benner, State Treasurer's Office
Karen Weldin Stewart, Insurance Commissioner
Jenifer Vaughn, DOI
David Craik, Pension Office
Kim Vincent, Pension Office
Yvonne Marshall, OMB, PHRST
Pat Griffin, SEBAC Chair
Judy Anderson, DSEA
Courtney Stewart, Office of Controller General
David Gregor, DOF
Jessica Eisenbrey, OMB
Crystal Webb, DHSS

Chris Ulrich, UD
Jackie Rhoads, Highmark BCBS DE
Stewart Riley, Highmark BCBS DE
Julie Caynor, Aetna
Carlton Ingram, Aetna
Judy Grant, HMS
Roger Roy, Roy Assoc.
Lisa Carmean, City of Milford
Rich Phillips, DSEA, R
Jim Testerman, DSEA - R
Karol Powers-Case, DRSPA
Hugh Ferguson, DRSPA
Jackie Taylor-Keyser, DRSPA
Jack Hassman, DRSPA
Wayne Emsley, DRSPA
Ronald Burrows, DRSPA
Stell Parker Selby, DRSPA
David Taylor, DRSPA
Paul Biery, DRSPA
Dave Leiter, DHSS
Sandy Richards, AFSCME, R
Vincent McCann, AFSCME, R

Introductions/Sign In

Director Visalli called the meeting to order at 2:05 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the February 8, 2013 SEBC meeting. Mr. Gregor made the motion and Ms. Webb seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman reported at the SEBC meeting on January 25, 2013 that The American Taxpayer Relief Act allowed a retroactive increase to January 2012 in pretax mass transit deductions for participants of the pre-tax commuter benefit. It was first advised that no action was required and the decision was made to increase both mass transit and van pool to \$245 beginning in January 2013. Under recent guidance, it was clarified that the State must issue W-2c's to participants to report the additional taxes paid on deductions between \$125 and \$245 during CY2012. Notification letters will be sent out today to the 222 employees affected by this change.

Health Fund Financials – Vickie Ford (handout)

A copy of the Fund and Equity Report was reviewed and discussed. The fund balance for the end of December was reported at \$42.3M and has increased slightly to \$42.4M as of January 31, 2013.

FY13 Quarter 1 Financial Reporting – Howard Atkins (handout)

Charts and graphs showing the experience of each plan and all plans combined were explained. The first quarter from a claims standpoint is historically better than the second quarter because people tend to postpone surgeries or procedures until the end of the year. Mr. Atkins pointed out that there is a 3.4% surplus. Both carriers are running with a surplus. Active employees and Medicare retirees are doing better than the non Medicare retirees.

Group Health Program Eligibility and Enrollment Rules

Director Visalli announced that discussion on items 5.14 and 5.21 of the Eligibility Rules would be deferred until the March 11, 2013 meeting. Ms. Lakeman added that there have been some conversations around the administration of the collection and refund periods. The goal is to be fiscally responsible to the fund as well as fair to the employees. We are currently working on language to present to the SEBC prior to the next meeting.

FY14 Group Health Insurance Program Planning including DelaWELL (handout)

Director Visalli explained that Ms. Lakeman will be reviewing options similar to previous years. The target is to have the rates and plan design finalized by the end of March.

Ms. Lakeman reiterated that the slide presentation has been refined to encompass the second quarter financials. She reminded everyone of the Governor's recommended budget contribution of \$15.4M in General Funds to be used to fund the FY 2014 projected State Share increase in the Group Health Insurance plan premiums. The presentation will conclude with updates on the DelaWELL program.

Ms. Lakeman commented that the landscape has changed in terms of the latest projections. The projections are based on the revenue generated from the premiums and the member claims experience. The FY 2013 projected revenue is \$583.1M and the expenditures are \$593.1M leaving a gap of \$10.0M. The fund balance for the end of December was reported at \$42.3M and has increased slightly to \$42.4M for the end of January. The fund is performing well. The projected year end health fund balance based upon projected claims experience and additional revenue for the remainder of the year is \$32.0M.

It was discussed at the last SEBC meeting that the FY 2014 estimated deficit was \$36.0M. The Committee was asked to consider plan design changes to make up the shortfall. Based on the December 2012 claims experience, the projection of \$644.6M in expenses for FY 2014 presented in January has decreased to \$620.3M. This equates to \$24.0M less in expenditures. Segal's trend assumption has been adjusted from 5.84% to 5.50% and the deficit has been reduced to \$12.5M.

Director Visalli commented that this is the process the SEBC moves through each year. The committee reviews expenses and revenue, which now includes the HB81 fixed relationship between what percentage of premiums are paid by the employees and the employer. With the Governor's recommended budget contribution of \$15.4M in General Funds toward the employer share of premiums, the Committee now has only a remaining deficit of \$12.5M to solve.

A six year snapshot of revenue versus expenses was shown to the Committee. The question was posed whether to use the surplus to close the \$12.5M gap which would create a larger deficit next year or decide to increase premiums and/or save money through plan design changes. The slide showed that the monthly premiums are not keeping pace with the expenditures.

Ms. Lakeman outlined three options to close the remaining balance of \$12.5M.

Option A:

Implement One or More Medical/Prescription Plan Changes:

Prescription Copay Changes \$ 1.3M - \$6.3M

Medical Copay, Co Insurance & Deductible Changes \$ 4.7M - \$9.1M*

*Assumes savings if all changes as proposed are approved. Changes to a portion of the three options will result in lower savings

Option B:

Implement One or More Medical/Prescription Plan Changes plus Utilize a Portion of Projected FY13 Year End Group Health Fund Balance.

Example:

Prescription Copay Changes \$ 1.3M

Medical Copay, Co Insurance & Deductible Changes \$ 4.7M

Surplus \$ 6.5M

Option C:

Utilize a Portion of Projected FY13 Year End Group Health Fund Balance \$12.5M

Justice Berger asked why Option C, using the surplus, is not our first choice. Director Visalli explained that the surplus is not a static number, it may go down, evaporate over time, etc. A balanced approach is more responsible to keep pace with the trend. Justice Berger countered that we have used surplus in the past and it has not created a problem. Treasurer Flowers asked how much of the surplus can be used. Director Visalli commented that \$12.5M would leave a large enough balance to maintain fiduciary responsibility to the health fund.

There was considerable discussion around the current minimum reserve and the request from the Insurance Commissioner that the SEBC evaluate the impact of increasing the Risk-Based Capital minimum reserve from 205 to possibly 210 percent. Director Visalli suggested the Statewide Benefits Office and Segal look into the request and bring back the findings at the SEBC meeting scheduled for March 25, 2013.

Ms. Lakeman continued with the slide presentation which included the Generic Copay Waiver Campaign, which would result in a net savings of \$90,000. The Non-Grandfathered, CDH Gold Plans, must cover women's preventive services at 100% beginning July 1, 2013. This comes at a cost of \$6,500. The cost to add preventive services at 100% for Grandfathered Plans is estimated to be \$4.1M. Removing financial barriers to preventive care could have a positive impact in the long term in that early detection and proper follow-up can result in avoidance of complex and costly services. The final enhancement was the addition of implantable contraceptive coverage on the Aetna plans, which are currently covered on the Highmark Blue Cross Blue Shield plans. This cost is estimated at \$66,000.

Ms. Rentz reviewed the DelaWELL portion of the presentation, which included the health management program, condition care outcomes, year to date wellness engagement and FY2014 program strategy. All active and non Medicare members of the State Group Health Insurance Program are eligible to participate.

The six illnesses targeted by Condition Care are heart failure, chronic obstructive pulmonary disease (COPD), diabetes, coronary artery disease (CAD), asthma and osteoarthritis and back pain. The DelaWELL program offers access to a health portal through Alere, the Health Management vendor, an online wellness assessment, biometric screenings, online health information, health coaching, health challenges, DelaWELL University Wellness Seminars, tobacco cessation programs, Weight Watchers and Nurse 24, an 800 number available on a 24 hour basis to talk to a nurse for advice. Alere determined a 12% improvement in hospital admission rates by comparing FY2012 hospital admissions for the condition care population against their hospital admissions in FY2010. There has been a savings of \$5.1M which represents improvement in Condition Care member's inpatient utilization in FY2012 versus the baseline year (FY2010). The return on investment is 5.6.

Wellness participation statistics from FY2011 through FY2013 year to date were reviewed. It was reported that the high risk population decreased 9% between FY2011 and FY2012. Participants in both years reported reductions in medical risk factors and improvements in seven of seven lifestyle risk factors. The two year participants are estimated to have an estimated \$211,617 in avoidable healthcare costs as a result of risk reductions.

There will be three new additions to the DelaWELL program in FY2014.

- Health Advisors - an optional follow-up call after completing the online Wellness assessment
- MYA – a mobile health solution. Participants can use the mobile application to track health programs and progress through the Health Portal, Wellness Challenges and Diabetes Mobile Applications.
- Healthy Values Reward – drives screening participation by rewarding biometrics in healthy range and recognizing those that are already healthy

Incentive Rewards will remain the same. The balance as of July 1, 2012 (FY2013) was \$2.5M. The estimated FY2013 incentive payments are \$900,000. This leaves a balance of \$1.6M at the end of FY 2014. No additional funding is required at this time.

SEBAC Comment

None

Public Comment

Mr. Ferguson, DRSPA, commented that he and other retirees of the public schools admire the Committee and trust that they will consider the cost of medical coverage and prescriptions for retirees and employees. Mr. Ferguson has been retired for nine years and the nest egg is gone. Prescriptions eat up most of their income. Many have yearly prescriptions ranging from \$500 to \$2,000 per year. Medicare cost is \$1,200 per year.

Mr. Burrows, DRSPA, stated that he is a non-Medicare retiree and the cost of living goes up as well as local school taxes each year. He does not want to see a raise in copays.

Ms. Powers-Case, DRSPA, commented that she is on Medicare and many other Medicare retirees see four different doctors at a cost of \$500 or more per year.

Mr. Phillips, DSEA, R, stated that the cost of gas, heat, food and property taxes have increased. The federal government is supposed to make another tax increase on March 1. Retirees do not have surplus to use. They are living on 50 – 75% of their previous income.

Mr. Emsley, DRSPA, commented that it is his view to use the surplus in tough times. He saw DelaWELL as having a positive impact.

Mr. Leiter, DHSS, stated that the Committee does a good job to consider many options and believes that if others would get involved and come to meetings they would understand the annual process. He asked that the Committee keep the lower paid employees in mind as they make their decisions.

Other Business

None.

Director Visalli reminded all that the next SEBC meeting date is scheduled for Monday, March 11, 2013. A motion to adjourn was requested. Mr. Gregor made the motion and Commissioner Stewart seconded the motion. The meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Dawn Davis
Administrative Secretary
Statewide Benefits Office, OMB